



USFR MEMORANDUM NO. 254

TO: School District Administrators; County School Superintendents

FROM: Laura Miller, Office of the Auditor General
Lyle Friesen, Arizona Department of Education (ADE)

DATE: April 12, 2012

SUBJECT: School District Annual Budget Revisions for Fiscal Year (FY) 2012: Adjustments to General Budget Limit, Unrestricted Capital Budget Limit, Soft Capital Allocation Limit, and Classroom Site Fund Budget Limit (Supersedes USFR Memorandum No. 250)

All districts that revise their FY 2012 adopted budget must have final revisions completed and approved at a Governing Board meeting before Tuesday, May 15, 2012. Additionally, all districts that revise their adopted budget's General Budget Limit (GBL), Unrestricted Capital Budget Limit (UCBL), Soft Capital Allocation Limit (SCAL), Classroom Site Fund Budget Limit (CSFBL), or adopted budget must submit a fully completed districtwide budget (cover page and pages 1 through 8), supplements, and summary, as applicable, to the County School Superintendent and upload all documents electronically to ADE, School Finance by May 18, 2012. Districts in the Accounting Responsibility Program, as defined by Arizona Revised Statutes (A.R.S.) §15-914.01, are not required to send a copy to the County School Superintendent.

Districts must make all of the revisions described in this memo that would result in a decrease in budget limits and districts may make any of the described revisions that result in an increase in budget limits. Total expenditures in the Maintenance and Operation (M&O), Unrestricted Capital Outlay (UCO), Soft Capital Allocation (SCA), and Classroom Site Funds (CSF) must not exceed the adjusted GBL, UCBL, SCAL and CSFBL, respectively, as reported on pages 7 and 8 of the latest revised budget. Therefore, if the net change to any of these budget limits is a decrease, the district must reduce budgeted expenditures in the related fund, to ensure that the budgeted amounts are within the prescribed limit. If the net change to any of these budget limits is an increase, the district may choose to revise budgeted expenditures in the related fund.

Districts sponsoring charter schools must revise their budgets, as necessary, to reflect actual charter school FY 2012 100th-day average daily membership (ADM).

Districts may revise their budgets to reflect the ADM, as reported on the final FY 2011 ADMS46-1 Report, generated for each district as of September 2011, which may have been updated to include FY 2011 ADM corrections. **Do not revise the FY 2012 budget to include the 100th-Day ADM from the FY 2012 ADMS46-1 report.**

Additional copies of the FY 2012 expenditure budget forms and work sheets, issued in USFR Memorandum No. 251, may be downloaded from the Auditor General's Web site at www.azauditor.gov/forms_schooldistrict.htm or ADE's Web site at www.ade.az.gov/schoolfinance/Forms/Budgets/FY2011-2012/.

PUBLIC NOTICE REQUIREMENTS FOR REVISING GBL, UCBL, SCAL, CSFBL, AND THE ADOPTED BUDGET

When the GBL, UCBL, SCAL, CSFBL (pages 7 and/or 8), M&O Fund budget (page 1), UCO Fund budget (page 4), SCA Fund budget (page 4), or CSF budget (page 3), is revised prior to May 15, as allowed by statute, including revisions due to adjustments to the Revenue Control Limit (RCL) on page 7, for student growth as applicable, the district must post 24-hour advance notice of and hold a public hearing [A.R.S. §§15-948(C) and (D), and 15-905(D)]. The requirement to publish the notice 10 days prior to the meeting is only applicable for original budget adoption and any required December 15 budget revisions.

SUBMISSION TO ADE

Districts must submit the revised budget electronically to ADE, in accordance with the budget submission instructions included on pages 2 and 3 of USFR Memorandum No. 251. The revised budget must be marked as "Revised" by selecting the appropriate revision number from the Version drop-down box. After uploading the files, districts should verify that the file processed successfully by checking their file submission page on ADE's Web site. Instructions for viewing the submitted file status are available on the School Finance Budget Resources page at www.ade.az.gov/schoolfinance/FAQs/BudgetRptsFiles/InstrsFileStatus.doc.

SPECIFIC INSTRUCTIONS FOR REVISIONS

Following are specific instructions for revising the adopted budget's GBL, UCBL, SCAL, and CSFBL.

PAGES 1, 2, and 4

Districts participating in the National School Lunch Program that have not budgeted for the state matching requirements, as described in the budget instructions, should revise their budget to include any amounts to be expended for their food service program in the M&O Fund on pages 1 and 2 and the UCO and SCA Funds on page 4 of the budget before May 15. The Health and Nutrition Services Office will verify that amounts budgeted were spent when the annual financial reports are submitted. Any questions related to the state matching requirements should be directed to the Health and Nutrition Services Office at (602) 542-8700.

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Revised amounts should be recorded on page 7 of the budget as described in the following paragraphs. When actual amounts are required, use the actual amount to date plus the estimated amount for the remainder of the fiscal year.

In addition to allocating any change in the amount for a line between the M&O and UCO Funds in columns A and B, respectively; the district may reapportion the amount on any line between the columns based on budgetary needs of the district, if applicable. After the May 15 budget revision, amounts **cannot** be reallocated between M&O and UCO.

Line 1(b). Plus Adjustment for Growth

If the district qualifies for the sudden growth adjustment, the RCL may be adjusted. The district may calculate its growth adjustment using the work sheet available on ADE's Web site at <http://www.azed.gov/finance/growth-forms/> or it may use the growth amount calculated by ADE School Finance on the district's FY 2012 APOR55-2 Report. The currently available APOR55-2 Report on the district's page of ADE's Web site is based on 40th-day counts. The 100th-day ADM and Group B counts are currently available on the posted ADMS46-1 and SPED28-1 Reports. The 100th-day ADM will be reflected on the May 1st APOR55-2 Report. The final payments for sudden growth adjustments will be based on the lesser of the amount included on line 1(b), page 7 of 8, or the growth shown on the June 29th APOR55-2 Report.

Line 1(c). Increase or (Decrease) in 03 District High School Tuition Payments
[A.R.S. §15-905(J)]

A common school district not within a high school district (Type 03) reporting an adjustment for actual tuition should:

- Revise Work Sheet O using the district's final tuition billing statements. Work Sheet E should **not** be revised.
- Obtain the most recent FY 2012 APOR55-1 Report, available on the district's page of ADE's Web site.
- Compare the "Tuition Out for High School Students (Type 03)" amount reported in the "Calculation for RCL" section from page 4 of the APOR55-1 Report, to the amount on line 13 of the revised Work Sheet O to determine whether the amount must be reduced or may be increased.

See instructions for line 8(b) regarding revisions to the excess debt service portion of actual tuition as described in A.R.S. §§15-910(L) and 15-951(A) and (G), if applicable.

Lines 2(a) through (d). CORL Reduction for State Budget Adjustment

Compare the amounts on lines 2(a) through (d) to the applicable amounts calculated by ADE on page 1 of the most recent FY 2012 BUDG25 Report. **Districts that include a reduction greater than the amounts calculated by ADE on lines (b) and (c), will reduce their budget capacity by those amounts.** The amount on line 2(d) may not exceed the "CORL Adjusted Total" from the BUDG25 Report.

Lines 3(a) through (c). FY 2012 Override Authorization (A.R.S. §§15-481 and 15-482)

If the RCL or CORL originally reported on line 1(d) or line 2(d), respectively, was reduced after budget adoption, the district must recalculate the maximum M&O, UCO, and Special Program override amounts allowed by A.R.S. §§15-481 and 15-482 in accordance with the instructions included in the budget forms. Arizona Attorney General Opinion I90-020 prohibits districts from recalculating overrides based on an increase in the RCL after secondary taxes have been levied for the applicable year. The amounts reported on lines 3(a) through (c) may not exceed the lesser of the original or recalculated maximum override amounts.

Line 4. Small School Adjustment for Districts With a Student Count of 125 or less in K-8 or 100 or less in 9-12 (A.R.S. §15-949)

If the district received approval from the county board of supervisors to revise its budget to include the cost of additional pupils that were not anticipated at budget adoption, include the revised amount on line 4.

Line 5. Tuition Revenue (A.R.S. §§15-823, 15-824, 15-825, 15-825.01, and 15-825.02)

Districts should compare actual tuition revenues received or expected to be received by June 30 to the amounts reported on lines 5(a) through (d) to determine whether the amounts must be decreased or may be increased.

The debt service portion of tuition revenues should not be included on lines 5(a) through (d); as those revenues should be reported in the Debt Service Fund (700).

Line 6. State Assistance (A.R.S. §15-976) and Special Ed. Voucher Payments Received (A.R.S. §15-1204)

Districts should use the work sheets available on ADE's Web site at <http://www.azed.gov/finance/certificates-of-educational-convenience/> to calculate the revised assistance to schools using the ADM reported on the FY 2012 ADMS540-1.

Line 7. Increase Authorized by County School Superintendent for Accommodation Schools [A.R.S. §15-974(B)]

If the June 30, 2011, actual cash balance for the M&O Fund was incorrectly estimated, an accommodation school district must complete and submit a revised Work Sheet S, even if the amount recorded on line 7 of the adopted budget is not revised. If the June 30, 2011 actual cash balance for the M&O Fund was accurate, accommodation schools may recalculate Work Sheet S for other changes.

In completing line I.A of the work sheet, use the lesser of the revised District Support Level or RCL from page 4 of the most recent FY 2012 APOR55-1 Report. Record the district's actual cash balance for the M&O Fund at June 30, 2011, on line II.A.1. On line II.A.2, record the "Allowed Budget Balance Carry Forward" as reported on page 2 of the most recent FY 2011 BUDG75 Report. Finally, districts should recalculate lines II.B.2 and 3 based on the RCL included on the APOR55-1 Report.

Districts should compare the recalculated amount on line II.B.5 of Work Sheet S to line 7 to determine whether the amount must be decreased or may be increased.

Line 8(b). Tuition Out Debt Service [A.R.S. §15-910(L)]

A common school district not within a high school district (Type 03) reporting an adjustment for the excess debt service portion of actual tuition, as described in A.R.S. §§15-910(L) and 15-951(A) and (G), as calculated on revised Work Sheet O, should:

- Compare the amount on line 7 of the revised Work Sheet O to the amount included on page 7, line 8(b) of the district's most recently revised adopted budget to determine whether the amount must be decreased or may be increased. [See instructions for Page 7, line 1(c) for instructions on revising Work Sheet O.]

Lines 8(c), 8(h), 8(i) and 8(j). Budget Balance Carryforward (A.R.S. §15-943.01), FY 2011 Career Ladder, Optional Performance Incentive Program and Performance Pay Unexpended Budget Carryforwards [A.R.S. §§15-918.04(C), 15-919.04, and 15-920]

The amounts on these lines cannot exceed the applicable amounts reported on page 2 of the FY 2011 BUDG75 Report. Districts should compare the amounts recorded on page 7, line 8(c), 8(h), 8(i), and 8(j) to the BUDG75 Report to determine if revisions are necessary.

Line 9. Adjustment to the General Budget Limit [A.R.S. §§15-105, 15-272, 15-905(M), 15-910.02, and 15-915]

Districts should compare the amounts in the detailed table to the right of line 9 to the applicable amounts on page 2 of the most recent FY12 BUDG25, to determine if the amounts should be revised. The total amount from the table will automatically be transferred to line 9, to adjust the FY 2012 GBL. **If more than 1 year or type of adjustment is recorded on any one line, indicate each year and the associated amount for each type of adjustment in the line description, but record only one combined amount for all years and types on each line.** Record negative amounts in parentheses. **Districts that include a reduction on any of these lines that is greater than the amount calculated by ADE, will reduce their budget capacity by that amount.** Districts that need assistance with the adjustments should e-mail ADE's budget team at sfbudgetteam@azed.gov.

Completing Page 7

After revising amounts on lines 1 through 9, columns A and B, as directed in the preceding paragraphs, line 10 will reflect the revised FY 2012 GBL. Line 11 will be the revised Total Amount to be Used for Capital Expenditures and must be used on page 8, line A.11.

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Revised amounts should be recorded on page 8 of the budget as described in the following paragraphs.

Lines A.2. and A.3. Total Unrestricted Capital Budget Limit (UCBL) Adjustment for Prior Years as Notified by ADE on BUDG75 Report and Adjusted Amount Available for FY 2011 Capital Expenditures

Line A.2, if required, and line A.3 should agree to the most recent FY 2011 BUDG75 Report, page 2, "Adjustment, from page 7 of 8, to be included on FY12 Expenditure Budget (UNR), page 8 of 8, line A2." and page 3 "Unrestricted Capital Available for FY11," respectively. **Amounts on line A.2 must be negative.** Contact ADE School Finance to reconcile any differences.

Line A.6. FY 2011 Fund 610 Actual Expenditures

Line A.6 should reflect actual UCO Fund 610 expenditures as reported on the district's FY 2011 AFR on page 5, line 10, less expenditures approved under A.R.S. §15-907 that are in excess of the most recently revised adopted FY 2011 UCO budget (budget page 4, line 10).

Line A.8. Interest Earned in Fund 610 in FY 2011

Line A.8 should agree to the actual amount of interest earned on investments as reported on the district's FY 2011 AFR on page 1, line 17 for the UCO Fund.

Line A.9. Monies Deposited in Fund 610 from School Facilities Board for Donated Land [A.R.S. §15-2041(F)]

Enter the amount of money, if any, received or expected to be received, by fiscal year end.

Line A.10. Adjustment to UCBL for FY 2012 [A.R.S. §15-905(M)]

Districts should compare the amounts in the detailed table to the right of line A.10, to the applicable amounts on page 3 of the most recent FY12 BUDG25, to determine if the amounts should be revised. Additionally, districts including an adjustment for growth related to exceeding the 4% RCL budget balance carryforward limit, should use the individual growth amount found at the bottom of page 2 of the district's FY 2011 BUDG75 Report, "Increase to FY12 Unrestricted Capital Due to Greater Than Anticipated Growth." The total amount from the table will automatically be transferred to line A.10, to adjust the FY 2012 UCBL. **If more than 1 year or type of adjustment is recorded for any one line, indicate each year and the associated amount for each type of adjustment in the line description, but record only one combined amount for all years and types on each line.** Record negative amounts in parentheses. **Districts that include a reduction on any of these lines that is greater than the amount calculated by ADE, will reduce their budget capacity by that amount.** Districts that need assistance with the adjustments should e-mail ADE's budget team.

Lines B.2. and B.3. Total SCAL Adjustment for Prior Years as Notified by ADE on BUDG75 Report and Adjusted FY 2011 SCAL

Line B.2, if required, and line B.3 should agree to the most recent FY 2011 BUDG75 Report, page 3, "Soft Capital Allocation Limit Adjustment for Prior Years" and "Soft Capital Allocation

Limit for FY11,” respectively. **Amounts on Line B.2 must be negative.** Contact ADE School Finance to reconcile any differences.

Line B.6. FY 2011 Fund 625 Actual Expenditures

Line B.6 should reflect actual SCA Fund 625 expenditures as reported on the district’s FY 2011 AFR, page 5, line 19.

Line B.8. Interest Earned in Fund 625 in FY 2011

Line B.8 should agree to the actual amount of interest earned on investments as reported on the FY 2011 AFR on page 1, line 17 for the SCA Fund.

Line B.9. Soft Capital Allocation

The amount entered on line B.9 cannot exceed the “District Equalization Base Soft Capital” from page 5 of the most recent FY 2012 APOR55-1 Report. Contact ADE School Finance to reconcile any differences. **Note:** A district that sponsors a charter school should recompute the SCA on Work Sheet I, section V, for the actual charter school student count before comparing amounts to the APOR report.

Line B.10. Capital Transportation Adjustment Approved by State Board of Education
[A.R.S. §15-963(B)]

Districts approved for a Capital Transportation Adjustment may record on line B.10 the “Soft Capital Allocation Adjustment” from page 5 of the most recent FY 2012 APOR55-1 Report.

Line B.11. Adjustment to SCAL for FY 2012 [A.R.S. §15-905(M)]

Districts should compare the amounts in the detailed table to the right of line B.11, to the applicable amounts on page 3 of the most recent FY12 BUDG25, to determine if the amounts should be revised. The total amount from the table will automatically be transferred to line B.11 to adjust the FY 2012 SCAL. **If more than 1 year or type of adjustment is recorded for any one line, indicate each year and the associated amount for each type of adjustment in the line description, but record only one combined amount for all years and types on each line.** Record negative amounts in parentheses. **Districts that include a reduction on any of these lines that is greater than the amounts calculated by ADE, will reduce their budget capacity by that amount.** Districts that need assistance with the adjustments should e-mail ADE’s budget team.

Line C.2. FY 2011 Classroom Site Fund Actual Expenditures

Line C.2 should reflect actual CSF expenditures as reported on the district’s FY 2011 AFR, page 4, line 49 and footnote (1).

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Line C.4. Interest Earned in the Classroom Site Fund in FY 2011

Line C.4 should agree to the actual amount of interest earned on CSF investments, as reported on the FY 2011 AFR on page 4, lines 2, 18, and 34.

If you have any questions or need assistance, please call ADE, School Finance at (602) 542-5695, or the Office of the Auditor General, Accounting Services Division at (602) 553-0333.